

**MINUTES  
MEETING OF THE FINANCE COMMITTEE  
OF THE BOARD OF DIRECTORS  
ENRON CORP.  
OCTOBER 6, 2000**

Minutes of a meeting of the Finance Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), noticed to begin at 10:00 a.m., E.D.T, but actually begun at 10:35 a.m., E.D.T., at The Breakers, Ponce de Leon III Ballroom, Palm Beach, Florida.

All of the Committee members were present, either in person or by telephone conference connection, where each member could hear the comments of the other participants and join in the discussion, as follows:

Mr. Herbert S. Winokur, Jr., Chairman  
Mr. Robert A. Belfer  
Mr. Norman P. Blake, Jr.  
Mr. Ronnie C. Chan  
Mr. Jerome J. Meyer  
Mr. Paulo V. Ferraz Pereira  
Mr. Frank Savage  
Mr. John A. Urquhart

Directors Duncan, Gramm, Lay, LeMaistre, Mendelsohn, and Skilling, Messrs. Richard B. Buy, Richard A. Causey, Andrew S. Fastow, Ben F. Glisan, Jr., David B. Gorte, Mark E. Koenig, Theodore R. Murphy, and Joseph W. Sutton, and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, and Mr. Richard N. Foster, of McKinsey & Company, Inc., also attended the meeting.

The Chairman, Mr. Winokur, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Winokur called the meeting to order, noted that a draft of the minutes of the meeting of the Committee held on August 7, 2000 had been distributed to the Committee members, and called for any corrections or additions. There being none, upon motion duly made by Mr. Meyer, seconded by Mr. Ferraz, and carried, the minutes of the meeting of the Committee held on August 7, 2000 were approved as distributed.

Mr. Winokur called upon Mr. Fastow to present the Chief Financial Officer's report, a copy of which is filed with the records of the meeting.

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Mr. Fastow discussed the Company's current and projected key financial ratios and stated that the ratios were based on the current plan. He reviewed the stock trading portfolio and noted that there were currently no open positions. He presented a chart depicting the Company's interest rate sensitive items and noted the dollar amounts at fixed and at floating interest rates. He stated that the Company had recently recalculated its cost of capital utilizing the current estimate of the equity cost component rather than the previous method, which utilized a historical calculation for the equity component. He noted that the new cost of capital calculation would impact the pricing used by the Risk Assessment and Control ("RAC") group when determining the required rate of return on potential projects. He stated that if a project's expected returns were lower than the Company's weighted average cost of capital of 17.17%, then additional syndication or leverage would be necessary.

Mr. Fastow then discussed the Company's private equity strategy and noted that there would be continued significant capital investments by the Company, some of which would not generate cash flow or earnings for a number of years. He stated that this would necessitate syndication of capital investments if the Company were to continue to grow. He discussed the Company's current total assets and the total assets when unconsolidated affiliates were included. He then noted that management was proposing transacting with a new private equity fund, LJM3, and discussed the Company's rationale for transacting with the fund. He reviewed LJM1 and LJM2, equity funds previously approved by the Board that the Company was already transacting with, and noted the dates of formation, the amount of equity in the funds, and the projects that the funds had invested in. He then discussed how his role in the LJM funds could potentially create a conflict of interest in that he negotiates for the LJM funds when they are making investments in the Company's transactions/business, he receives value from the LJM funds if they perform well, and he must allocate a certain amount of his time to the funds. He then discussed the mechanisms that had been put in place to mitigate any potential conflicts including: 1) his fiduciary responsibilities to the Company, 2) the Office of the Chairman or the Board could ask him to resign from the LJM funds at any time, 3) Messrs. Buy, Causey, and Skilling approve all transactions between the Company and the LJM funds, 4) there is an annual Audit and Compliance Committee review of the Company's transactions with the LJM funds, 5) a review of his economic interest in the Company and the LJM funds is presented to Mr. Skilling, and 6) there is no obligation for the Company to transact with the LJM funds.

Messrs. Causey and Skilling then discussed the benefits to the Company of having the ability to transact with the LJM funds and Mr. Fastow discussed the other investors in the LJM funds. Mr. Blake proposed that the Finance Committee

also review transactions between the Company and the LJM funds on a quarterly basis and Mr. Winokur proposed that the Compensation and Management Development Committee review the compensation received by Mr. Fastow from the LJM funds and the Company. The Committee unanimously agreed to the two proposals.

Mr. Fastow noted that in order to allow him to participate as the General Partner of the LJM funds it would be appropriate for the Committee to recommend to the Board the ratification of a decision by the Office of the Chairman that Mr. Fastow's participation in the LJM funds, with the noted conflict mitigation mechanisms in place, would not adversely affect the best interests of the Company. Following a discussion, upon motion duly made by Mr. Blake, seconded by Mr. Meyer, and carried the proposal was approved for recommendation to the Board.

Mr. Fastow then called upon Mr. Glisan for the Treasurer's report, a copy of which is filed with the records of the meeting.

Mr. Glisan reviewed the liquidity report as of September 20, 2000, noted that the Company's total liquidity was currently over \$7 billion, and stated that a transaction recently completed would bring the total to approximately \$8 billion. He reviewed year-to-date investments and proceeds on sales of assets and noted that during the year there had been fewer assets sales and more capital invested than originally planned. He commented on the financing activity that had occurred since June of 2000 and the financings still to be completed before year end. He noted that certain turbine purchases, previously approved by the Board, were requiring a significant amount of capital investment during the year. He then reviewed the Company's outstanding letters of credit and noted that there was no significant change since the last Committee meeting. He discussed the Company's guarantee portfolio and stated that the significant increase in the volumes transacted by the Company had led to related increases in required guarantees. He then stated that there had not been any change in the Company's ratings by the rating agencies.

Mr. Lay left the meeting following Mr. Glisan's presentation and Mr. Winokur called upon Mr. Buy to present the Chief Risk Officer's report, a copy of which is filed with the records of the meeting.

Mr. Buy discussed the Company's Top 25 credit exposures and commented on the exposure to Owens Corning, which had recently declared Chapter 11 bankruptcy. He also discussed a transaction that was underway to reduce the Company's credit exposure to TXU Europe Energy Trading Ltd. He reviewed the current credit reserve and compared it to the required reserve. He then gave the

Committee a brief update on the RAC group's foreign exchange project currently underway and noted that it was scheduled to be completed in December.

Mr. Buy then gave a status report on the RAC group's review of Enron Energy Services, LLC ("EES"). He discussed EES's business and the different ways it earned money and he presented a summary of EES's net open commodity positions, the associated Value-at-Risk ("VAR"), and the mark-to-market credit exposure. He then reviewed EES's outsourcing transactions and noted that there were two components, demand side management and commodity price risk, associated with the transactions. He presented a chart depicting the capital expenditures made or projected to be made by EES and stated that improvements have been made in developing projects but that actual project implementation was lagging behind the original projections. Mr. Skilling joined him in answering questions from the Committee regarding EES's capital expenditures and the potential implication of the slowdown in project implementation on future earnings.

Mr. Buy then presented the Market Risk Update and discussed the returns each commodity group had earned compared to the VAR it had taken. He then presented the same information by business unit and specific commodity. He gave an overview of the VAR backtesting and stress testing of the Company's exposure under "worst case" scenarios of 5% and 25% shifts in commodity prices. He reviewed limit violations during July and August of 2000, noted that the RAC group was working with the business units to reduce the number of violations, and discussed the reasons for the violations. He discussed the loss notifications during July and August of 2000 and noted that there was a daily loss in the portfolio that had required that Mr. Winokur be notified. Mr. Skilling joined him in a discussion of the reason for the loss and commented that the loss was preceded by a number of days of significant earnings.

Ms. Carter then distributed a supplement to the Chief Risk Officer's report, a copy of which is filed with the records of the meeting. Mr. Buy presented a summary of the Transaction Approval Process ("TAP") including the number of transactions that had been approved by the various levels of management and the Board. He then reviewed the Company's annualized VAR versus trading profits over the last six years and discussed the annualized VAR as a percent of trading profits. He commented on the average daily VAR and the VAR limit as a percent of market capitalization over the last six years and noted that during 2000 the average daily VAR had more than doubled. He stated that management was proposing an increase in the overall VAR and also recommending that a certain amount of the overall VAR limit be deemed discretionary, to be allocated by himself and Mr. Skilling to the business units/commodity groups.

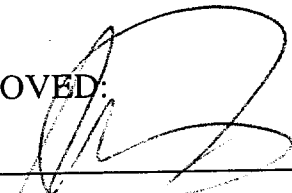
Mr. Savage left the meeting and Mr. Lay returned to the meeting following the presentation.

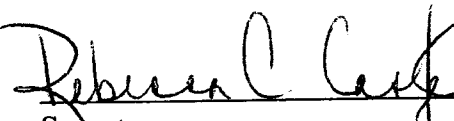
Mr. Buy then discussed proposed changes to the Enron Corp. Risk Management Policy to incorporate the increased VAR. Following a discussion, upon motion duly made by Mr. Ferraz, seconded by Mr. Chan, and carried, the proposed changes to the Enron Corp. Risk Management Policy presented at the meeting were approved for recommendation to the Board.

Mr. Buy then discussed the proposed changes to the TAP, including the addition of a category of approval for the Office of the Chairman of the Wholesale Energy Operations business unit, the ability of Messrs. Lay and Skilling to give Mr. Buy verbal authority to sign on their behalf on transactions up to \$25 million, and an updated region/business unit head listing to reflect recent reorganizations or promotions. Following a discussion, upon motion duly made by Mr. Urquhart, seconded by Mr. Belfer, and carried, the proposed changes to the TAP, as filed with the records of the meeting, were approved for recommendation to the Board.

Mr. Winokur then called upon Mr. Glisan to discuss a proposed equity derivatives authorization. Mr. Glisan noted that the Company periodically enters into equity derivative transactions, including swap transactions, forward sales and purchases, and options. He stated that to clarify the equity derivative resolution currently in place management was proposing some minor modifications. He reviewed the modifications and, following a discussion, upon motion duly made by Mr. Meyer, seconded by Mr. Belfer, and carried, the proposed equity derivatives authorization was approved for recommendation to the Board.

There being no further business to come before the Committee, the meeting was adjourned at 12:20 p.m., E.D.T.

APPROVED:   
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Chairman

  
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Secretary

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